Selling Building Partnerships 10th edition Castleberry Test Bank

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Chapter 02

Ethical and Legal Issues in Selling

True / False Questions

1. What is ethical can vary from country to country and from industry to industry.

   True False

2. In the early days of selling, companies studied and wrote down the sales pitches of their most successful people, and created canned sales pitches.

   True False

3. Persuasion is unethical, whereas manipulation is ethical.

   True False

4. Most sales situations are not covered by laws.

   True False

5. Bribes typically have no negative consequences for the purchasing agent's firm—only for the purchasing agent as an individual.

   True False

6. A salesperson should only give a gift to a purchasing agent if that gift will foster a mutually beneficial, long-term relationship.

   True False

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7. Salespeople engage in backdoor selling only when they are about to get an order.

True False

8. Because salespeople's activities in the field cannot be closely monitored, their employers trust them to act in the company's best interests.

True False

9. It is easy to develop a reimbursement policy that prevents salespeople from cheating and yet allows them the flexibility to cover their territory and entertain customers.

True False

10. When spending from their company's expense accounts, salespeople should act as though they are spending their own money.

True False

11. A noncompete clause prevents employees from leaving the company until a specified amount of time has passed.

True False

12. Offering information about a customer's competitor in exchange for an order is unethical.

True False

13. It is ethical to take over potential customers' accounts from other salespeople.

True False

14. Spreading rumors about a colleague's sexual conduct cannot be considered sexual harassment.

True False

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15. Tampering with a competitor's product in a store to make the product less appealing is unethical conduct.

    True False

16. Most salespeople are agents because they have the power to solicit even non-written offers from buyers.

    True False

17. In many states in the United States, customer records are considered trade secrets.

    True False

18. The Uniform Commercial Code (UCC) is the only legal guide to commercial practice in the United Nations.

    True False

19. When an item is shipped under contract terms that call for FOB (free on board) factory, the buyer assumes responsibility for any loss or damage incurred during transportation.

    True False

20. Statements such as "The performance of this product is top-notch" can be classified as expressed warranties.

    True False

21. When a salesperson tells a customer that a product will last a lifetime, such a claim is most likely an example of sales puffery.

    True False

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22. The credulous person standard means that the company and the salesperson have to pay damages if a reasonable person could misunderstand the claims made in advertisements by the company and the salesperson.

True False

23. Tying agreements stipulate that a seller is only allowed to sell products to a single buyer.

True False

24. The Robinson-Patman Act forbids product differentiation.

True False

25. U.S. privacy laws are more stringent than those of the European Union.

True False

26. The rules of the federal Do-Not-Call Registry apply to business phones and to solicitations by nonprofits and political organizations.

True False

27. U.S. salespeople are subject to U.S. laws, regardless of the country they are selling in.

True False

28. The Foreign Corrupt Practices Act (FCPA) made it legal for U.S. companies to engage in conspiracy.

True False

29. One method that companies can use to protect themselves when an employee violates the law, is to include the Foreign Corrupt Practices Act (FCPA) in the company's code of ethics.

True False

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30. The U.S. laws concerning bribery are much more restrictive than laws in Italy and Germany.

True False

Multiple Choice Questions

31. Which of the following statements is true about ethics?

A. Ethics do not change with time.
B. There is no need for personal codes of ethics.
C. Ethical principles establish appropriate behavior.
D. What is ethical in the Middle East is also ethical in the United States.
E. If an act is unethical, it is also illegal.

32. Which of the following questions should one ask oneself to determine whether a sales behavior or activity is unethical?

A. Would my supervisor disapprove of this behavior?
B. Am I concerned about the possible consequences of this behavior?
C. Would society be worse off if everyone engaged in this behavior or activity?
D. Would I be embarrassed if a customer found out about this behavior?
E. All of these

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33. Larry, an inexperienced sales rep, has asked you to suggest ways to deal with potential ethical problems. What should you suggest?

A. It's only unethical if it is illegal.
B. Do what the other sales reps do.
C. Do whatever earns profits for your company.
D. Perform whatever services your client requests.
E. Develop and maintain a personal code of ethics.

34. Javier, a new insurance agent, pays one of his customers to buy his firm's insurance product. Javier explains to the customer that he would pay the customer a few thousand dollars if the customer decides to invest in the policy recommended by Javier. This is an example of:

A. sales puffery.
B. a conspiracy.
C. kickbacks.
D. bribery.
E. collusion.

35. Rodney is a senior salesperson in a pharmaceutical company. Every time Jeff places an order of 2,000 units from the company, Rodney pays 7 percent of the total amount of sales to Jeff for helping him achieve his sales targets. This is an example of a:

A. bribe.
B. commission.
C. refund.
D. kickback.
E. rebate.

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36. Which of the following statements is true about a noncompete clause?

A. It states that competing firms cannot engage in price discrimination.
B. It states that competing firms should not engage in collusion.
C. It has the same legality in all U.S. states.
D. It limits an employee from working for a competitor.
E. It states that competing firms should not buy from a single manufacturer.

37. Ray is a new salesperson in an automobile manufacturing company. In order to meet his sales target, he regularly steals potential customers of other salespeople in his team. This is an example of:

A. collusion.
B. a conspiracy.
C. insider selling.
D. poaching.
E. upselling.

38. Salespeople engage in _____ when they ignore a purchasing agent's (PA's) policy against contacting other employees without the PA's permission and directly contact other people involved in the purchasing decision.

A. backdoor selling
B. expanded prospecting
C. sales prospecting
D. hustling
E. bypass selling

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39. Calvin sells hospital supplies. When his company did not make it to the approved list of suppliers developed during a vendor analysis by a chain of nursing homes, he went against the purchasing department's policy and contacted nurses and other staff directly to persuade them to get the purchasing department to place his company on its approved list of suppliers. Calvin engaged in:

A. backdoor selling.
B. expanded prospecting.
C. sales prospecting.
D. a lateral attack.
E. bypass selling.

40. Which of the following statements is true about Lincoln Law?

A. It is commonly referred to as the Do-Not-Call law.
B. It was passed in 1863 and restricted salespeople in the United States from engaging in direct trade with its neighboring countries.
C. It removed the credulous person standard law during the Civil War in 1863.
D. It encouraged citizens to press claims against vendors that fraudulently sold to the U.S. government.
E. It repealed the noncompete clause in the southern U.S. states.

41. Jordon is a salesperson in a cosmetic firm. While selling a product to a customer, he lies to the customer that other competitors in the market use banned substances in their products. This is an example of:

A. upselling.
B. browbeating.
C. collusion.
D. business defamation.
E. ethical imperialism.

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42. Which of the following acts may be considered sexual harassment?

A. Milton tells pornographic jokes to his secretary.
B. Nora repeatedly comments on her co-worker's sexual reputation.
C. Sybil shows a set of obscene playing cards to her subordinates.
D. Manning makes lewd comments to his colleague.
E. All of these

43. Statutory laws:

A. include regulations developed by the Federal Trade Commission.
B. grow out of court decisions.
C. include regulations developed by the Better Business Bureau.
D. are based on legislation passed either by state legislatures or by Congress.
E. are established by local, state, and federal regulatory agencies.

44. _____ laws are established by local, state, or federal regulatory agencies.

A. Common
B. Administrative
C. Functional
D. Executive
E. Statutory

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45. The _____ is the most active regulatory agency in developing administrative laws affecting salespeople.

A. U.S. Patent Office
B. Federal Trade Commission
C. Environmental Protection Agency
D. Federal Communications Commission
E. Food and Drug Administration

46. The accounting of sales and costs of many new technology products has resulted in many ethical and legal controversies. Often, the shelf life of a new product is difficult to assess and, therefore, how to allocate sales and costs is debatable. A court decision provides guidelines to address these issues. The court decision is an example of:

A. UCC codification.
B. administrative law.
C. common law.
D. statutory law.
E. all of these.

47. Which of the following statements is true about the Uniform Commercial Code (UCC)?

A. It is one of the main statutory laws governing salespeople in the United States.
B. It is more specific than other laws and has little effect on salespeople.
C. It excludes domestic trade.
D. It was first published in 1998.
E. It is regulated by the Federal Trade Commission.

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48. In the context of incentives given by a producer to a reseller's salespeople, a spiff is considered legal only if:

A. the producer's goods are sold on credit.
B. customers approve of the incentive structure.
C. the reseller approves of the incentives, and it is offered to all the reseller's salespeople.
D. a salesperson engages in resale price maintenance.
E. the reseller includes the incentives in the selling cost of the product.

49. How does a sale differ from a contract to sell?

A. Cash must change hands for a contract to sell to exist, but not for a sale to be completed.
B. The UCC defines a sale and a contract to sell as synonymous.
C. A sale is made when the salesperson makes an offer and receives unqualified acceptance, while a contract to sell exists only when the title passes from the seller to the buyer.
D. A contract to sell exists anytime a salesperson makes an offer and receives unqualified acceptance from the customer, while a sale is made only when the title passes from the seller to the buyer.
E. A sale is made as soon as a buyer agrees to a price, while a contract to sell exists as soon as a seller gives an offer.

50. According to UCC, a sale is made:

A. when the salesperson makes an offer.
B. when the client accepts the offer and agrees to buy.
C. before the title exchanges hands.
D. when the contract is completed and the title exchanges hands.
E. when the contract is signed.

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51. According to UCC, orders become contracts to sell when:

A. the salesperson quotes the specific terms involved in the purchase.
B. goods are transferred from the seller to the buyer for a consideration known as price.
C. they are signed by an authorized representative of the salesperson's company.
D. money changes hands.
E. the title for the product is exchanged.

52. According to the Uniform Commercial Code (UCC), a sales presentation is usually considered to be:

A. an offer.
B. a verbal contract.
C. an invitation to negotiate.
D. an interaction where payment for goods is made.
E. an interaction where the title of goods is exchanged.

53. If the terms of the contract specify FOB (free on board) destination, then:

A. any loss or damage incurred during transportation is the responsibility of the seller.
B. the buyer is responsible for any loss during transportation.
C. the buyer assumes the responsibility and risk for the merchandise as soon it leaves the factory.
D. the buyer gets the title to the goods as soon as the invoice is made by the seller.
E. the goods are being sold on consignment.

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54. When James sold protective window bars for a nursing home complex, he specified in the contract that the bars would be shipped FOB factory. According to the UCC, this means that:

A. the bars will not leave the manufacturer until payment had been received in full.
B. the seller has full title to the bars until the nursing home director receives them.
C. the buyer assumes responsibility, cost, and risk for shipping of the bars.
D. the seller does not expect payment for the bars until they are installed.
E. the delivering company assumes title for the bars while they are in transit.

55. If the terms of the contract specify FOB (free on board) factory, then:

A. the seller has title until the goods are received at the destination.
B. the seller is responsible for any loss during transportation.
C. the buyer assumes the responsibility and risk for any loss during transportation.
D. the seller does not expect payment for the merchandise until it reaches its destination.
E. the goods are being sold on consignment.

56. When a purchasing agent bought an order of sheet aluminum (used to make cans) from a new supplier, the salesperson specified the details of the product's quality. However, when the purchasing agent received the order, he noticed that the aluminum sheets were of inferior quality. Which of the following has the salesperson violated?

A. The tying agreement
B. The impressed guarantee
C. The binding contract
D. The expressed warranty
E. None of these

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57. Which of the following statements is true about tying agreements?

A. They usually increase competition among firms.
B. They become null and void when a buyer is required to purchase one product in order to get another product.
C. They are mandatory for verbal contracts.
D. They are illegal under the Clayton Act.
E. They become legal only when they contain a noncompete clause.

58. Which of the following statements is true about written agreements?

A. They are the same for all types of products.
B. They contain details about the seller's profits and the buyer's profits.
C. They exclude statements about a product's warranty.
D. They are normally required for sales over $500.
E. They are valid only if they contain a noncompete clause.

59. The Foreign Corrupt Practices Act (FCPA) legalizes:

A. subordination payments when they are made by government officials.
B. spiffs when they are paid with the customer's approval.
C. small lubrication payments when they are customary in a culture.
D. backdoor selling when goods are selling below their resale price.
E. kickbacks when they are in the form of expensive gifts.

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60. Kevin purchased a lawn mower. The blades were so dull that the mower could not cut the grass in his backyard. Because of existence of _____ warranties, Kevin can return the mower and expect to receive a replacement that will cut grass.

A. communicated
B. applied
C. functional
D. implied
E. codified

61. If the salesperson for a paint manufacturer promised a purchasing agent that a certain brand of paint was mildew-resistant (when it was not), the salesperson:

A. gave an expressed warranty.
B. resorted to collusion.
C. should have given further credibility to the statement by adding, "Let the buyer beware."
D. gave only an implied warranty.
E. none of these.

62. Robin is selling a Local Area Network (LAN) system to a company that oversees the renovation of dingy, old downtown districts into attractive shopping areas. Which of the following statements by the seller might be construed as an expressed warranty?

A. Maintain a hardcopy of every memo that you try to send until you are comfortable with the system.
B. Don't worry if it breaks down; our service people will be able to get it running again quickly.
C. Be sure to ask your employees to attend the training session.
D. Please read the instruction manual before you try to use the system.
E. None of these

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63. A salesperson tells a customer that his firm's product would completely remove all rashes and burn marks on the human skin within 7 hours of its application. This is an example of:

A. puffery.
B. a spiff.
C. reciprocity.
D. an implied warranty.
E. a spam.

64. In Canada, where puffery is more closely monitored than in the United States, a salesperson told a customer a particular oven would cook meat better than any other oven in the market. The salesperson might be guilty of violating the:

A. conspiracy and collusion agreement.
B. competitive comparison law.
C. tying agreement.
D. *caveat emptor* law.
E. credulous person standard.

65. _____ occurs when salespeople make unfair or untrue statements to customers about a competitor, its products, or its salespeople.

A. Collusion
B. Business defamation
C. Conspiracy
D. Reciprocity
E. Tying agreement

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66. Which of the following is an example of reciprocity?

A. Jack reveals a competitor's secret formula for a plastic hardening compound.
B. Larry's Uniform Company agrees to buy Harry's landscaping services if Harry will rent its uniforms from Larry.
C. A purchasing agent bribes the receptionist to get him an appointment with the company's CEO.
D. In order to carry a line of profitable wind chimes, Scott's Hardware Store also has to carry a less profitable line of hose nozzles made by the same company.
E. A group of kaolin (used in the whitening of paper) manufacturers agree to a price freeze.

67. Which of the following is an example of a tying agreement?

A. Jon refuses to buy office supplies from anyone but Bridget.
B. In order to carry a highly successful organic cleaning compound, Nature's Survival Store has to carry a much less successful line of laundry detergent made by the same company.
C. Traveler's Rest, a travel agency, agrees to buy its insurance from the Nathan Dean Insurance Agency if the agency agrees to let Traveler's Rest handle the owners' travel plans.
D. A paper supply company agrees to give Harridan Industries a free case of paper towels for every dozen cases it purchases.
E. A salesperson tells a contractor that his company's paint is mildew resistant when it is not.

68. Two alloy manufacturers agree to charge the same price for a product to a potential customer who is considering buying alloy from one of these manufacturers. This is an example of:

A. price discrimination.
B. a tying agreement.
C. sales puffery.
D. collusion.
E. upselling.

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69. A group of uniform rental companies agreed that they would not charge less than $5 per week per uniform even before the newly opened chicken plant contacted them for bids. This is an example of:

A. business defamation.
B. a contrivance.
C. price discrimination.
D. collusion.
E. a conspiracy.

70. _____ refers to competitors working together while the customer is making a purchase decision.

A. Defamation
B. A tying contract
C. A conspiracy
D. Reciprocity
E. Collusion

71. When a perfume manufacturer establishes a minimum price below which a retailer may not sell its perfume, the manufacturer is engaged in:

A. a tying contract.
B. resale price maintenance.
C. price discrimination.
D. collusion.
E. reciprocity.

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72. The manufacturer of Kingston freestanding greenhouses gives $100 as an incentive to a reseller's salespeople for each greenhouse they sell. This special incentive is known as:

A. pull money.
B. puffery.
C. a perquisite.
D. a spiff.
E. entertainment allowance.

73. Court decisions related to the Robinson-Patman Act define _____ as a seller giving unjustified special prices, discounts, or services to some customers and not to others.

A. reciprocity
B. a spiff
C. price discrimination
D. a tying contract
E. business deception

74. The _____ Act requires written notification to customers regarding privacy policies.

A. Robinson-Patman
B. Gramm-Leach-Bliley
C. Sarbanes-Oxley
D. FOB notification
E. Federal Do-Not-Call Registry

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75. To speed up the opening of a new factory in a Middle Eastern country, Micah gifted a pen and pencil set that he had purchased for $10 to an assistant in a local government. Micah hoped this gift would remove some of the red tape that was slowing down the building process. This type of gift is referred to as:

A. collusion.
B. subordination.
C. capitulation.
D. indemnification.
E. lubrication.

76. _____ involves paying large sums of money to higher-ranking officials to get them to do something illegal or to ignore an illegal act.

A. Collusion
B. Subordination
C. Capitulation
D. Indemnification
E. Lubrication

77. A steel manufacturing company helps the local government in a city build a railroad bridge. The company offers the city manager and the mayor a bribe of $50,000 to relax restrictions placed on the company's operations in the city. This is an example of:

A. extortion.
B. subordination.
C. embezzlement.
D. collusion.
E. lubrication.

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78. Which of the following statements is true about the Robinson-Patman Act of 1934?

A. It was introduced to eliminate sales puffery.
B. It protects national wholesalers and retailers from independent wholesalers and retailers.
C. It replaced the Federal Trade Commission Act of 1914.
D. It applies only to interstate commerce.
E. It was designed to limit the amount of information a firm could obtain about a consumer.

79. _____ involves small sums of money or gifts, typically made to low-ranking managers or government officials, in countries where these payments are not illegal.

A. Embezzlement
B. Subordination
C. Lubrication
D. Collusion
E. Extortion

80. _____ is the view that ethical standards in one's home country should be applied to one's behavior across the world.

A. Ethical imperialism
B. Ethical ombudsmen
C. Ethical solidarity
D. Cultural relativism
E. Cultural solidarity

Short Answer Questions

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81. What is backdoor selling and what are the consequences of backdoor selling?

82. What impact do sales managers have on a salesperson's ethics?

83. What is the difference between free on board (FOB) destination and free on board factory?

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84. What is business defamation?

85. What is a tying agreement?

86. What is reciprocity?

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87. Why did the Robinson-Patman Act become law?

88. What are spiffs?

89. What is subordination?

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90. What is cultural relativism?

Essay Questions

91. What is the difference between bribery and kickbacks?

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92. What is deception?

93. Jackson sells refrigeration units to hospitals, laboratories, and clinics. He really wants to make a sale to a group of hospitals all working under the Emory brand. He believes that if he gives the purchasing agent for the hospitals a very unique and costly gift, he will be more than likely to get the order. What advice would you give him?

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94. Imagine John has a computer job with Hughes Hospital Supply, and he gets a job offer from IBD Inc. What would be the ethical way for John to move from his job at Hughes to his new position with IBD?

95. What is sexual harassment?

96. What is sales puffery and how can it be differentiated from warranties or statements of fact?

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97. Discuss a sale as defined by the UCC in relation to salespeople.

98. What is an implied warranty and an expressed warranty? You have just filled up your car with gasoline. Give an example of an expressed and an implied warranty that might have accompanied your purchase.

99. What is the difference between a conspiracy and collusion?

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100. Distinguish between cultural relativism and ethical imperialism.

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Chapter 02 Ethical and Legal Issues in Selling Answer Key

True / False Questions

1. What is ethical can vary from country to country and from industry to industry.

   TRUE

   Accessibility: Keyboard Navigation
   Difficulty: 1 Easy
   Learning Objective: 02-05 Which laws apply to personal selling?

2. In the early days of selling, companies studied and wrote down the sales pitches of their most successful people, and created canned sales pitches.

   TRUE

   Accessibility: Keyboard Navigation
   Difficulty: 1 Easy
   Learning Objective: 02-01 Why do salespeople need to develop their own codes of ethics?

3. Persuasion is unethical, whereas manipulation is ethical.

   FALSE

   Accessibility: Keyboard Navigation
   Difficulty: 1 Easy
   Learning Objective: 02-01 Why do salespeople need to develop their own codes of ethics?

4. Most sales situations are not covered by laws.

   TRUE

   Accessibility: Keyboard Navigation
   Difficulty: 1 Easy
   Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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5. Bribes typically have no negative consequences for the purchasing agent's firm—only for the purchasing agent as an individual.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

6. A salesperson should only give a gift to a purchasing agent if that gift will foster a mutually beneficial, long-term relationship.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

7. Salespeople engage in backdoor selling only when they are about to get an order.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

8. Because salespeople's activities in the field cannot be closely monitored, their employers trust them to act in the company's best interests.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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9. It is easy to develop a reimbursement policy that prevents salespeople from cheating and yet allows them the flexibility to cover their territory and entertain customers.

FALSE

Accessibility: Keyboard Navigation
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Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

10. When spending from their company's expense accounts, salespeople should act as though they are spending their own money.

TRUE

Accessibility: Keyboard Navigation
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Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

11. A noncompete clause prevents employees from leaving the company until a specified amount of time has passed.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

12. Offering information about a customer's competitor in exchange for an order is unethical.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

13. It is ethical to take over potential customers' accounts from other salespeople.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy

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Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

14. Spreading rumors about a colleague's sexual conduct cannot be considered sexual harassment.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

15. Tampering with a competitor's product in a store to make the product less appealing is unethical conduct.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

16. Most salespeople are agents because they have the power to solicit even non-written offers from buyers.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

17. In many states in the United States, customer records are considered trade secrets.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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18. The Uniform Commercial Code (UCC) is the only legal guide to commercial practice in the United Nations.

FALSE

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Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

19. When an item is shipped under contract terms that call for FOB (free on board) factory, the buyer assumes responsibility for any loss or damage incurred during transportation.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

20. Statements such as "The performance of this product is top-notch" can be classified as expressed warranties.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

21. When a salesperson tells a customer that a product will last a lifetime, such a claim is most likely an example of sales puffery.

TRUE

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Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

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22. The credulous person standard means that the company and the salesperson have to pay damages if a reasonable person could misunderstand the claims made in advertisements by the company and the salesperson.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

23. Tying agreements stipulate that a seller is only allowed to sell products to a single buyer.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

24. The Robinson-Patman Act forbids product differentiation.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

25. U.S. privacy laws are more stringent than those of the European Union.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

26. The rules of the federal Do-Not-Call Registry apply to business phones and to solicitations by nonprofits and political organizations.

FALSE

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Difficulty: 1 Easy

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Learning Objective: 02-05 Which laws apply to personal selling?

27. U.S. salespeople are subject to U.S. laws, regardless of the country they are selling in.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

28. The Foreign Corrupt Practices Act (FCPA) made it legal for U.S. companies to engage in conspiracy.

FALSE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

29. One method that companies can use to protect themselves when an employee violates the law, is to include the Foreign Corrupt Practices Act (FCPA) in the company's code of ethics.

TRUE

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

30. The U.S. laws concerning bribery are much more restrictive than laws in Italy and Germany.

TRUE

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Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

Multiple Choice Questions

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31. Which of the following statements is true about ethics?

A. Ethics do not change with time.
B. There is no need for personal codes of ethics.
C. Ethical principles establish appropriate behavior.
D. What is ethical in the Middle East is also ethical in the United States.
E. If an act is unethical, it is also illegal.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-01 Why do salespeople need to develop their own codes of ethics?

32. Which of the following questions should one ask oneself to determine whether a sales behavior or activity is unethical?

A. Would my supervisor disapprove of this behavior?
B. Am I concerned about the possible consequences of this behavior?
C. Would society be worse off if everyone engaged in this behavior or activity?
D. Would I be embarrassed if a customer found out about this behavior?
E. All of these

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Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?
Learning Objective: 02-04 What guidelines should salespeople consider when confronting situations involving an ethical issue?

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33. Larry, an inexperienced sales rep, has asked you to suggest ways to deal with potential ethical problems. What should you suggest?

A. It's only unethical if it is illegal.
B. Do what the other sales reps do.
C. Do whatever earns profits for your company.
D. Perform whatever services your client requests.
E. Develop and maintain a personal code of ethics.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-01 Why do salespeople need to develop their own codes of ethics?

34. Javier, a new insurance agent, pays one of his customers to buy his firm's insurance product. Javier explains to the customer that he would pay the customer a few thousand dollars if the customer decides to invest in the policy recommended by Javier. This is an example of:

A. sales puffery.
B. a conspiracy.
C. kickbacks.
D. bribery.
E. collusion.

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Difficulty: 3 Hard
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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35. Rodney is a senior salesperson in a pharmaceutical company. Every time Jeff places an order of 2,000 units from the company, Rodney pays 7 percent of the total amount of sales to Jeff for helping him achieve his sales targets. This is an example of a:

A. bribe.
B. commission.
C. refund.
D. kickback.
E. rebate.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

36. Which of the following statements is true about a noncompete clause?

A. It states that competing firms cannot engage in price discrimination.
B. It states that competing firms should not engage in collusion.
C. It has the same legality in all U.S. states.
D. It limits an employee from working for a competitor.
E. It states that competing firms should not buy from a single manufacturer.

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Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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37. Ray is a new salesperson in an automobile manufacturing company. In order to meet his sales target, he regularly steals potential customers of other salespeople in his team. This is an example of:

A. collusion.
B. a conspiracy.
C. insider selling.
D. poaching.
E. upselling.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

38. Salespeople engage in _____ when they ignore a purchasing agent's (PA's) policy against contacting other employees without the PA's permission and directly contact other people involved in the purchasing decision.

A. backdoor selling
B. expanded prospecting
C. sales prospecting
D. hustling
E. bypass selling

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Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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39. Calvin sells hospital supplies. When his company did not make it to the approved list of suppliers developed during a vendor analysis by a chain of nursing homes, he went against the purchasing department's policy and contacted nurses and other staff directly to persuade them to get the purchasing department to place his company on its approved list of suppliers. Calvin engaged in:

A. backdoor selling.
B. expanded prospecting.
C. sales prospecting.
D. a lateral attack.
E. bypass selling.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

40. Which of the following statements is true about Lincoln Law?

A. It is commonly referred to as the Do-Not-Call law.
B. It was passed in 1863 and restricted salespeople in the United States from engaging in direct trade with its neighboring countries.
C. It removed the credulous person standard law during the Civil War in 1863.
D. It encouraged citizens to press claims against vendors that fraudulently sold to the U.S. government.
E. It repealed the noncompete clause in the southern U.S. states.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

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41. Jordon is a salesperson in a cosmetic firm. While selling a product to a customer, he lies to the customer that other competitors in the market use banned substances in their products. This is an example of:

A. upselling.
B. browbeating.
C. collusion.
D. business defamation.
E. ethical imperialism.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

42. Which of the following acts may be considered sexual harassment?

A. Milton tells pornographic jokes to his secretary.
B. Nora repeatedly comments on her co-worker's sexual reputation.
C. Sybil shows a set of obscene playing cards to her subordinates.
D. Manning makes lewd comments to his colleague.
E. All of these

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Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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43. Statutory laws:

A. include regulations developed by the Federal Trade Commission.
B. grow out of court decisions.
C. include regulations developed by the Better Business Bureau.
D. are based on legislation passed either by state legislatures or by Congress.
E. are established by local, state, and federal regulatory agencies.

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Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

44. _____ laws are established by local, state, or federal regulatory agencies.

A. Common
B. Administrative
C. Functional
D. Executive
E. Statutory

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

45. The _____ is the most active regulatory agency in developing administrative laws affecting salespeople.

A. U.S. Patent Office
B. Federal Trade Commission
C. Environmental Protection Agency
D. Federal Communications Commission
E. Food and Drug Administration

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Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

46. The accounting of sales and costs of many new technology products has resulted in many ethical and legal controversies. Often, the shelf life of a new product is difficult to assess and, therefore, how to allocate sales and costs is debatable. A court decision provides guidelines to address these issues. The court decision is an example of:

A. UCC codification.
B. administrative law.
C. common law.
D. statutory law.
E. all of these.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-05 Which laws apply to personal selling?

47. Which of the following statements is true about the Uniform Commercial Code (UCC)?

A. It is one of the main statutory laws governing salespeople in the United States.
B. It is more specific than other laws and has little effect on salespeople.
C. It excludes domestic trade.
D. It was first published in 1998.
E. It is regulated by the Federal Trade Commission.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

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48. In the context of incentives given by a producer to a reseller's salespeople, a spiff is considered legal only if:

A. the producer's goods are sold on credit.
B. customers approve of the incentive structure.
C. the reseller approves of the incentives, and it is offered to all the reseller's salespeople.
D. a salesperson engages in resale price maintenance.
E. the reseller includes the incentives in the selling cost of the product.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

49. How does a sale differ from a contract to sell?

A. Cash must change hands for a contract to sell to exist, but not for a sale to be completed.
B. The UCC defines a sale and a contract to sell as synonymous.
C. A sale is made when the salesperson makes an offer and receives unqualified acceptance, while a contract to sell exists only when the title passes from the seller to the buyer.
D. A contract to sell exists anytime a salesperson makes an offer and receives unqualified acceptance from the customer, while a sale is made only when the title passes from the seller to the buyer.
E. A sale is made as soon as a buyer agrees to a price, while a contract to sell exists as soon as a seller gives an offer.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

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50. According to UCC, a sale is made:

A. when the salesperson makes an offer.
B. when the client accepts the offer and agrees to buy.
C. before the title exchanges hands.
D. when the contract is completed and the title exchanges hands.
E. when the contract is signed.

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

51. According to UCC, orders become contracts to sell when:

A. the salesperson quotes the specific terms involved in the purchase.
B. goods are transferred from the seller to the buyer for a consideration known as price.
C. they are signed by an authorized representative of the salesperson's company.
D. money changes hands.
E. the title for the product is exchanged.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

52. According to the Uniform Commercial Code (UCC), a sales presentation is usually considered to be:

A. an offer.
B. a verbal contract.
C. an invitation to negotiate.
D. an interaction where payment for goods is made.
E. an interaction where the title of goods is exchanged.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

53. If the terms of the contract specify FOB (free on board) destination, then:

A. any loss or damage incurred during transportation is the responsibility of the seller.
B. the buyer is responsible for any loss during transportation.
C. the buyer assumes the responsibility and risk for the merchandise as soon it leaves the factory.
D. the buyer gets the title to the goods as soon as the invoice is made by the seller.
E. the goods are being sold on consignment.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

54. When James sold protective window bars for a nursing home complex, he specified in the contract that the bars would be shipped FOB factory. According to the UCC, this means that:

A. the bars will not leave the manufacturer until payment had been received in full.
B. the seller has full title to the bars until the nursing home director receives them.
C. the buyer assumes responsibility, cost, and risk for shipping of the bars.
D. the seller does not expect payment for the bars until they are installed.
E. the delivering company assumes title for the bars while they are in transit.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

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55. If the terms of the contract specify FOB (free on board) factory, then:

A. the seller has title until the goods are received at the destination.
B. the seller is responsible for any loss during transportation.
C. the buyer assumes the responsibility and risk for any loss during transportation.
D. the seller does not expect payment for the merchandise until it reaches its destination.
E. the goods are being sold on consignment.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

56. When a purchasing agent bought an order of sheet aluminum (used to make cans) from a new supplier, the salesperson specified the details of the product's quality. However, when the purchasing agent received the order, he noticed that the aluminum sheets were of inferior quality. Which of the following has the salesperson violated?

A. The tying agreement
B. The impressed guarantee
C. The binding contract
D. The expressed warranty
E. None of these

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Difficulty: 3 Hard
Learning Objective: 02-05 Which laws apply to personal selling?

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57. Which of the following statements is true about tying agreements?

A. They usually increase competition among firms.
B. They become null and void when a buyer is required to purchase one product in order to get another product.
C. They are mandatory for verbal contracts.
D. They are illegal under the Clayton Act.
E. They become legal only when they contain a noncompete clause.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

58. Which of the following statements is true about written agreements?

A. They are the same for all types of products.
B. They contain details about the seller's profits and the buyer's profits.
C. They exclude statements about a product's warranty.
D. They are normally required for sales over $500.
E. They are valid only if they contain a noncompete clause.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

59. The Foreign Corrupt Practices Act (FCPA) legalizes:

A. subordination payments when they are made by government officials.
B. spiffs when they are paid with the customer's approval.
C. small lubrication payments when they are customary in a culture.
D. backdoor selling when goods are selling below their resale price.
E. kickbacks when they are in the form of expensive gifts.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

60. Kevin purchased a lawn mower. The blades were so dull that the mower could not cut the grass in his backyard. Because of existence of _____ warranties, Kevin can return the mower and expect to receive a replacement that will cut grass.

A. communicated
B. applied
C. functional
D. implied
E. codified

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-05 Which laws apply to personal selling?

61. If the salesperson for a paint manufacturer promised a purchasing agent that a certain brand of paint was mildew-resistant (when it was not), the salesperson:

A. gave an expressed warranty.
B. resorted to collusion.
C. should have given further credibility to the statement by adding, "Let the buyer beware."
D. gave only an implied warranty.
E. none of these.

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Learning Objective: 02-05 Which laws apply to personal selling?

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62. Robin is selling a Local Area Network (LAN) system to a company that oversees the renovation of dingy, old downtown districts into attractive shopping areas. Which of the following statements by the seller might be construed as an expressed warranty?

A. Maintain a hardcopy of every memo that you try to send until you are comfortable with the system.
B. Don't worry if it breaks down; our service people will be able to get it running again quickly.
C. Be sure to ask your employees to attend the training session.
D. Please read the instruction manual before you try to use the system.
E. None of these

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-05 Which laws apply to personal selling?

63. A salesperson tells a customer that his firm's product would completely remove all rashes and burn marks on the human skin within 7 hours of its application. This is an example of:

A. puffery.
B. a spiff.
C. reciprocity.
D. an implied warranty.
E. a spam.

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Difficulty: 3 Hard
Learning Objective: 02-05 Which laws apply to personal selling?

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64. In Canada, where puffery is more closely monitored than in the United States, a salesperson told a customer a particular oven would cook meat better than any other oven in the market. The salesperson might be guilty of violating the:

A. conspiracy and collusion agreement.
B. competitive comparison law.
C. tying agreement.
D. *caveat emptor* law.
E. credulous person standard.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

65. ____ occurs when salespeople make unfair or untrue statements to customers about a competitor, its products, or its salespeople.

A. Collusion
B. Business defamation
C. Conspiracy
D. Reciprocity
E. Tying agreement

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Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?
Learning Objective: 02-05 Which laws apply to personal selling?

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66. Which of the following is an example of reciprocity?

A. Jack reveals a competitor's secret formula for a plastic hardening compound.
B. Larry's Uniform Company agrees to buy Harry's landscaping services if Harry will rent its uniforms from Larry.
C. A purchasing agent bribes the receptionist to get him an appointment with the company's CEO.
D. In order to carry a line of profitable wind chimes, Scott's Hardware Store also has to carry a less profitable line of hose nozzles made by the same company.
E. A group of kaolin (used in the whitening of paper) manufacturers agree to a price freeze.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

67. Which of the following is an example of a tying agreement?

A. Jon refuses to buy office supplies from anyone but Bridget.
B. In order to carry a highly successful organic cleaning compound, Nature's Survival Store has to carry a much less successful line of laundry detergent made by the same company.
C. Traveler's Rest, a travel agency, agrees to buy its insurance from the Nathan Dean Insurance Agency if the agency agrees to let Traveler's Rest handle the owners' travel plans.
D. A paper supply company agrees to give Harridan Industries a free case of paper towels for every dozen cases it purchases.
E. A salesperson tells a contractor that his company's paint is mildew resistant when it is not.

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Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?
Learning Objective: 02-05 Which laws apply to personal selling?

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68. Two alloy manufacturers agree to charge the same price for a product to a potential customer who is considering buying alloy from one of these manufacturers. This is an example of:

A. price discrimination.
B. a tying agreement.
C. sales puffery.
D. collusion.
E. upselling.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-05 Which laws apply to personal selling?

69. A group of uniform rental companies agreed that they would not charge less than $5 per week per uniform even before the newly opened chicken plant contacted them for bids. This is an example of:

A. business defamation.
B. a contrivance.
C. price discrimination.
D. collusion.
E. a conspiracy.

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Difficulty: 3 Hard
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?
Learning Objective: 02-05 Which laws apply to personal selling?

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70. ____ refers to competitors working together while the customer is making a purchase decision.

A. Defamation
B. A tying contract
C. A conspiracy
D. Reciprocity
E. Collusion

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?
Learning Objective: 02-05 Which laws apply to personal selling?

71. When a perfume manufacturer establishes a minimum price below which a retailer may not sell its perfume, the manufacturer is engaged in:

A. a tying contract.
B. resale price maintenance.
C. price discrimination.
D. collusion.
E. reciprocity.

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Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?
Learning Objective: 02-05 Which laws apply to personal selling?

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72. The manufacturer of Kingston freestanding greenhouses gives $100 as an incentive to a reseller's salespeople for each greenhouse they sell. This special incentive is known as:

A. pull money.
B. puffery.
C. a perquisite.
D. a spiff.
E. entertainment allowance.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?
Learning Objective: 02-05 Which laws apply to personal selling?

73. Court decisions related to the Robinson-Patman Act define _____ as a seller giving unjustified special prices, discounts, or services to some customers and not to others.

A. reciprocity
B. a spiff
C. price discrimination
D. a tying contract
E. business deception

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Learning Objective: 02-05 Which laws apply to personal selling?

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74. The _____ Act requires written notification to customers regarding privacy policies.

A. Robinson-Patman
B. Gramm-Leach-Bliley
C. Sarbanes-Oxley
D. FOB notification
E. Federal Do-Not-Call Registry

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

75. To speed up the opening of a new factory in a Middle Eastern country, Micah gifted a pen and pencil set that he had purchased for $10 to an assistant in a local government. Micah hoped this gift would remove some of the red tape that was slowing down the building process. This type of gift is referred to as:

A. collusion.
B. subordination.
C. capitulation.
D. indemnification.
E. lubrication.

Accessibility: Keyboard Navigation
Difficulty: 3 Hard
Learning Objective: 02-05 Which laws apply to personal selling?

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76. _____ involves paying large sums of money to higher-ranking officials to get them to do something illegal or to ignore an illegal act.

A. Collusion
B. Subordination
C. Capitulation
D. Indemnification
E. Lubrication

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

77. A steel manufacturing company helps the local government in a city build a railroad bridge. The company offers the city manager and the mayor a bribe of $50,000 to relax restrictions placed on the company's operations in the city. This is an example of:

A. extortion.
B. subordination.
C. embezzlement.
D. collusion.
E. lubrication.

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78. Which of the following statements is true about the Robinson-Patman Act of 1934?

A. It was introduced to eliminate sales puffery.
B. It protects national wholesalers and retailers from independent wholesalers and retailers.
C. It replaced the Federal Trade Commission Act of 1914.
D. It applies only to interstate commerce.
E. It was designed to limit the amount of information a firm could obtain about a consumer.

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79. ____ involves small sums of money or gifts, typically made to low-ranking managers or government officials, in countries where these payments are not illegal.

A. Embezzlement
B. Subordination
C. Lubrication
D. Collusion
E. Extortion

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80. _____ is the view that ethical standards in one's home country should be applied to one's behavior across the world.

A. Ethical imperialism
B. Ethical ombudsmen
C. Ethical solidarity
D. Cultural relativism
E. Cultural solidarity

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-01 Why do salespeople need to develop their own codes of ethics?
Learning Objective: 02-03 Do ethics get in the way of being a successful salesperson?

Short Answer Questions

81. What is backdoor selling and what are the consequences of backdoor selling?

Salespeople engage in backdoor selling when they ignore a purchasing agent's policy, go around his or her back, and contact other people directly involved in the purchasing decision. Backdoor selling can be risky and unethical. If the purchasing agent finds out, and they usually do when the order is placed, the salesperson may never be able to get any sale. To avoid these potential problems, the salesperson needs to convince the purchasing agent of the benefits to be gained by direct contact with other people in the customer's firm.

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Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

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82. What impact do sales managers have on a salesperson's ethics?

Sales managers are particularly important because they establish the ethical climate in their organization through the salespeople they hire, the ethical training they provide for their salespeople, and the degree to which they enforce ethical standards. Salespeople who trust their sales managers are more likely to engage in ethical behaviors.

Accessibility: Keyboard Navigation
Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

83. What is the difference between free on board (FOB) destination and free on board factory?

If the contract terms specify free on board (FOB) destination, the seller has title until the goods are received at the destination. In this case any loss or damage incurred during transportation is the responsibility of the seller. The buyer assumes this responsibility and risk if the contract terms call for FOB factory.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

84. What is business defamation?

Business defamation occurs when a salesperson makes unfair or untrue statements to customers about a competitor, its products, or its salespeople. These statements are illegal when they damage the competitor's reputation or the reputation of its salespeople.

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Difficulty: 2 Medium
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85. What is a tying agreement?

In a tying agreement, a buyer is required to purchase one product in order to get another product.

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Difficulty: 2 Medium
Learning Objective: 02-05 Which laws apply to personal selling?

86. What is reciprocity?

Reciprocity is a special relationship in which two companies agree to buy products from each other.

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

87. Why did the Robinson-Patman Act become law?

The Robinson-Patman Act became law because independent wholesalers and retailers wanted additional protection from the aggressive marketing tactics of large chain stores. Principally, the act forbids price discrimination in interstate commerce.

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88. What are spiffs?

Spiff stands for "special promotion incentive fund." Spiffs (or push money) are special incentives to get a reseller's salespeople to push products. They are legal only if the reseller knows and approves of the incentive and it is offered to all the reseller's salespeople.

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

89. What is subordination?

Subordination involves paying large sums of money to higher-ranking officials to get them to do something that is illegal or to ignore an illegal act. Even in countries where bribery is common, subordination is considered unethical.

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Difficulty: 1 Easy
Learning Objective: 02-05 Which laws apply to personal selling?

90. What is cultural relativism?

Cultural relativism is the view that no culture's ethics are superior.

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Learning Objective: 02-01 Why do salespeople need to develop their own codes of ethics?
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Essay Questions

91. What is the difference between bribery and kickbacks?

Bribes and kickbacks may be illegal. Bribes are payments made to buyers to influence their purchase decisions, whereas kickbacks are payments made to buyers based on the amount of orders placed. A purchasing agent personally benefits from bribes and kickbacks, but these payments typically have negative consequences for the purchasing agent's firm because the product's performance is not considered in buying decisions.

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Difficulty: 2 Medium
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

92. What is deception?

Deliberately presenting inaccurate information, or lying, to a customer is illegal. This unethical practice of withholding information or telling lies is known as deception. Further, misleading customers by telling half-truths or withholding important information can also lead to legal consequences but is more often a matter of ethics. Some salespeople believe it is the customer's responsibility to uncover potential product problems. These salespeople answer questions, perhaps incompletely, and don't offer information that might make a sale more difficult. For example, a salesperson selling life insurance may fail to mention that the policy won't pay off under certain circumstances.

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93. Jackson sells refrigeration units to hospitals, laboratories, and clinics. He really wants to make a sale to a group of hospitals all working under the Emory brand. He believes that if he gives the purchasing agent for the hospitals a very unique and costly gift, he will be more than likely to get the order. What advice would you give him?

Jackson should realize that any gift he gives should be given to foster a mutually beneficial, long-term relationship, not to obligate the agent to place an order. He should also make sure the agent views the gift as a symbol of respect with no strings attached. Gifts should never be given to influence a buy. He needs to make sure that the gift does not violate the agent's or Jackson's company's policies. The safest gifts are inexpensive items imprinted with the salesperson's company name or logo.

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94. Imagine John has a computer job with Hughes Hospital Supply, and he gets a job offer from IBD Inc. What would be the ethical way for John to move from his job at Hughes to his new position with IBD?

First, John should give ample notice. He should offer assistance during the transition phase and help his replacement learn his/her job. He should not disclose confidential information to IBD. He should not take anything that belongs to the company. Finally, he should not burn bridges.

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95. What is sexual harassment?

Sexual harassment includes unwelcome sexual advances; requests for sexual favors, jokes, or graffiti; posting sexually explicit material on bulletin boards or cubicle walls; and physical conduct. Harassment is not confined to requests for sexual favors in exchange for job considerations such as a raise or promotion; creating a hostile work environment can be considered sexual harassment.
Some actions that are considered sexual harassment are engaging in suggestive behavior, treating people differently because they are male or female, making lewd sexual comments and gestures, sharing by e-mail jokes that have sexual content, showing obscene photographs, alleging that an employee got rewards by engaging in sexual acts, and spreading rumors about a person's sexual conduct.

Accessibility: Keyboard Navigation
Difficulty: 1 Easy
Learning Objective: 02-02 Which ethical responsibilities do salespeople have toward themselves, their firms, and their customers?

96. What is sales puffery and how can it be differentiated from warranties or statements of fact?

Glowing descriptions such as "Our service can't be beat" are considered to be opinions or sales puffery. Customers cannot reasonably rely on these statements. However, statements about the inherent capabilities of products or services, such as "Our system will reduce your inventory by 40 percent" may be treated as statements of fact and become warranties.

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97. Discuss a sale as defined by the UCC in relation to salespeople.

The UCC defines a sale as "the transfer of title to goods by the seller to the buyer for a consideration known as price." A sale differs from a contract to sell. Any time a salesperson makes an offer and receives an unqualified acceptance, a contract exists. A sale is made when the contract is completed and title passes from the seller to the buyer.

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98. What is an implied warranty and an expressed warranty? You have just filled up your car with gasoline. Give an example of an expressed and an implied warranty that might have accompanied your purchase.

Students' answers may vary. An implied warranty is not actually stated but is still an obligation defined by law. An expressed warranty is an oral or a written statement by the seller. Implied warranty: The car should work. Expressed warranty: the octane level and additives stated on the pump should accurately reflect the gasoline being sold.

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99. What is the difference between a conspiracy and collusion?

A conspiracy is an agreement between competitors before customers are contacted. Collusion refers to competitors working together while the customer is making a purchase decision. For example, competitors are conspiring when they get together and divide up a territory so that only one competitor will call on each prospect. Collusion occurs when competitors agree to charge the same price for equipment that a prospect is considering. These examples of collusion and conspiracy are illegal because they reduce competition.

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Learning Objective: 02-05 Which laws apply to personal selling?

100. Distinguish between cultural relativism and ethical imperialism.

Cultural relativism is the view that no culture's ethics are superior. If the people in Indonesia tolerate bribery, their attitude toward bribery is no better or worse than that of people in Singapore who refuse to give or accept bribes. When in Rome, do as the Romans do. But is it right for a European pharmaceutical company to pay a Nigerian company to dispose of the pharmaceutical company's highly toxic waste near Nigerian residential neighborhoods, even though Nigeria has no rules against toxic waste disposal? On the other hand, ethical imperialism is the view that ethical standards in one's home country should be applied to one's behavior across the world. This view suggests, for example, that Saudi Arabian salespeople working for a U.S. firm should go through the same sexual harassment training U.S. salespeople do, even though the strict conventions governing relationships between men and women in Saudi Arabia make the training meaningless and potentially embarrassing.

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